IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

CUMMINS-ALLISON CORP.,	§	
	§	
Plaintiff,	§	
	§	Civil Action No. 9:07-CV-196
v.	§	Civil Action No. 9:07-CV-228
	§	
SBM CO., LTD., ET AL.	§	
	§	JUDGE RON CLARK
Defendant.	§	
	§	

ORDER DENYING DEFENDANTS' MOTION TO STAY

Before the court is Defendants' Motion to Stay [Doc. #33] seeking to stay this case until the United States Patent and Trademark Office ("PTO") concludes reexaminations of the patents-in-suit.

The PTO has already denied Defendants' request for reexamination for no less than 14 asserted claims in this case. There is no hint that this case would be sufficiently simplified to justify a stay or that a stay would result in a quicker resolution of an issue. Moreover, the deadlines for exchanging infringement contentions, invalidity contentions and preliminary proposed claim construction have already passed. At this stage, the factors weigh against a stay.

I. Background

On August 27, 2007, Plaintiff Cummins-Allison Corp. filed suit against Defendants SBM Co., Ltd (formerly known as Shinwoo Information & Telecommunications CO., Ltd.) and Amro-Asian Trade, Inc. alleging infringement of United States Patent No. U.S. Patent No. 6,459,806 ("the ´806 patent").

On September 14, 2007, Defendants filed its request for *inter partes* reexamination of the ´806 patent. The request was denied on December 11, 2007.

On September 21, 2007, Plaintiff amended its complaint to add U.S. Patent No. 5,966,456 ("the ′456 patent") and U.S. Patent No. 6,381,354 ("the ′354 patent").

On September 24, 2007 Plaintiff filed a separate complaint against Defendants alleging infringement of U.S. Patent No. 5,909,503 ("the ′503 patent").

On November 29, 2007 Defendants filed requests for *ex parte* reexamination of the ′456, ′354 and ′503 patents. The PTO denied reexamination for claim 15 of the ′503 patent, the only claim of the ′503 patent that has been asserted in this litigation.

On February 28, 2008, Defendants filed a new request for *inter partes* reexamination of the ′806 patent.

II. Analysis

The court has the inherent power to control its own docket, including the power to stay proceedings. *Landis v. N. Am. Co.*, 299 U.S. 248, 254, 57 S.Ct. 163, 166 (1936). How to best manage the court's docket "calls for the exercise of judgement, which must weigh competing interests and maintain an even balance." *Id.* at 254-55, 57 S.Ct. at 166. The moving party "must make out a clear case of hardship or inequity in being required to go forward, if there is even a fair possibility that the stay for which he prays will work damage to someone else." *Id.* at 255, 57 S.Ct. at 166.

In deciding whether to stay litigation pending reexamination, this court considers: 1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party; 2) whether a stay will simplify the issues in question and trial of the case; and 3) whether discovery is complete and whether a trial date has been set. *EchoStar Technologies Corp. v. Tivo, Inc.,* 2006 WL 2501494 (E.D. 2006).

1. Prejudice or Disadvantage to Plaintiff

Defendants argue that there will be no prejudice or disadvantage to Plaintiff because "Plaintiff has not attached any particular urgency to this case." Defs' Mot to Stay at 5 [Doc. #33].

Defendants acknowledge that "[t]here is very little enforceable life left in the patents-in-suit." Defs' Mot to Stay at 6 [Doc. #33]. Specifically, all four patents-in-suit expire on February 5, 2010. Trial in this court is set for May 2009. Data indicates that reexamination may take two or three years, which means that all the patents-in-suit will likely have expired by the time the reexaminations are completed.[1]

Moreover, it is undisputed that the parties are competitors in the manufacturing of methods and apparatuses for discriminating between currency bills of different denomination. The PTO has not yet granted all requests for reexamination, and the PTO has not provided any definitive guidance on the length of time required for reexamination proceedings. *See* 35 U.S.C. 303(a) and 312(a). To permit any infringing activity to continue for an uncertain length of time could potentially cause not only monetary damages to Plaintiff but also loss of market share. This court is mindful of the costs imposed by a lengthy stay, and a timely resolution of the issues will aid both party.

Under these circumstances, this factor weighs in favor of denying a stay.

2. Simplification of Case

Defendants contend that reexamination will simplify issues for trial. Defendants argue that if any of the asserted claims are cancelled, the issues in this case will be simplified.

The only request for *inter partes* reexamination has not yet been granted. The requests for *ex parte* reexaminations have already been denied for the following asserted claims in this

[1]As of March 31, 2007, the average pendency of reexamination (from filing date to certificate issue date) is 23.3 months.

litigation: claim 15 of the ′503 patent; claims 23, 24, 25, 26, 27, 43, and 44 of the ′456 patent; and claims 33, 34, 53, 60, 67 and 68 of the ′354 patent. Therefore, these claims will not be considered by the PTO even if all of Defendants' requests are granted.

Defendants have not offered to be bound by the PTO's decision in the *ex parte* reexamination. *See* Manual of Patent Examining Procedure §1.552. Because the ′503, ′456 and ′354 patents are subject to *ex parte* reexamination, Defendants will not be estopped from urging invalidity arguments in this case against the ′503, ′456 and ′354 patents that are similar to the invalidity arguments it makes against the ′806 patent during reexamination. The related nature of the patents-in-suit, combined with the *ex parte* reexamination of the ′503, ′456 and ′354 patents, counteract the effects of any *inter partes* reexamination proceeding. As such, this factor weighs against staying this case.

Defendants next argue that the priority date issues underlying Plaintiff's patents involve complex issues that the PTO is best equipped at handling. Plaintiff points out that for the ′503 and ′456 patents, the PTO has actually identified a priority date *earlier* than that asserted by Plaintiff thus far in the litigation, thus mooting Defendants' reliance on this point to grant a stay. As discussed above, Defendants have not said that they will be bound by any PTO decision.

Moreover, the PTO only considers invalidity based on prior art during the reexamination process. 35 U.S.C. §§ 301 and 311(b)(2). This means that the PTO does not consider infringement issues, or other grounds for invalidity such as public use as alleged in Defendants' answer. Statistically, 90% of all reexaminations result in the confirmation of at least some of the claims in a patent. Accordingly, even after reexamination, if only one claim remained, invalidity would continue to be an issue, and so a stay would not preserve many resources.

While a stay always has the *potential* to simplify the issues in the litigation to some extent, infringement and other invalidity arguments will remain. The court concludes that the issues in this case would not be sufficiently simplified to justify a stay. *See Imax Corp. v. In-Three, Inc.,* 385 F.Supp.2d 1030, 1033 (C.D. Cal. 2005) (if the stay will not reduce the number of issues, then a stay would not preserve many resources). Therefore, this factor weighs in favor of denying a stay.

3. Completion of Discovery and Trial Date

Discovery is an on-going process, and the Rules of Practice for Patent Cases in the Eastern District of Texas, as well as this court's Scheduling Order, require the parties to prepare for discovery early in the litigation. The deadlines for exchanging infringement and invalidity contentions have passed. Parties have already exchanged preliminary proposed claim construction and extrinsic evidence supporting the same pursuant to P.R. 4-2. The court has held a case management conference, set aside a date for a Markman hearing (September 24, 2008) and proposed a trial date in May 2009. Under the circumstances of this case, the court finds that this factor weighs against stay.

III. Conclusion

Based on the foregoing, this court finds that the benefits of granting Defendants' Motion to Stay do not outweigh the burdens of delay caused by a reexamination proceeding in this case.

IT IS THEREFORE ORDERED that Defendants' Motion to Stay [Doc. #33] is **DENIED.**

IT IS FURTHER ORDERED that Defendants' Motion for Hearing [Doc. #34] is **DENIED as moot.**

So **ORDERED** and **SIGNED** this **21** day of **May, 2008.**

Ron Clark

Ron Clark, United States District Judge